



State Senator

February 2005

**VALDE GARCIA**

*Serving the 22<sup>nd</sup> District*

*Shiawassee-Livingston-southern Ingham counties*

## **LEGISLATIVE UPDATE**

**BREAKING NEWS FROM SENATOR GARCIA'S OFFICE- A Legislative Bulletin for Residents of the 22<sup>nd</sup> District**

***\*\*Breaking News\*\****

### **Credit Scoring**

A measure regarding the insurance industry is being discussed in the Michigan Senate that would prohibit Michigan's insurance commissioner from discontinuing insurance credit scoring. Currently, individuals seeking insurance for their homes, personal vehicles and recreational motor crafts received an "insurance score" that was used as a rating factor or underwriting factor for new or renewal insurance policies. Insurance companies utilize this system in an effort to predict future losses due to credit risk factors.

In an effort to eliminate this practice, the insurance commissioner has petitioned the Joint Committee on Administrative Rules (JCAR) to stop insurance companies from scoring applicants. Because credit scoring was implemented through statute, some legislators feel it would be inappropriate to make any recommendation regarding credit scoring unless it was processed through standard legislative procedure. Therefore, Senate Bill 233 was introduced by Sen. Michael Bishop, R-Rochester. This bill would overturn a credit scoring decision made by JCAR and allow for the scoring procedure to continue.

Senate Bill 233 is expected to be discussed in the Senate in the coming weeks.

### **SUTA Dumping (State Unemployment Tax Act)**

SUTA Dumping, the practice in which some employers allegedly used to avoid the proper payment of state unemployment taxes by transferring payroll out of an existing company to a new or different organization solely for the purpose of reducing their unemployment rate, will no longer be permissible thanks to a package of bills passed by the senate. Senate Bills 171-174 will help Michigan companies comply with a federal law that will close the loopholes which allowed these transfers to occur. The state is expected to recapture between \$25 and \$90 million lost annually. It is important to note that very few Michigan businesses practice SUTA dumping, however, when it occurs, fees and other expenses are passed on to all Michigan employers who do obey tax laws.

During senate debates this week, one bill in the package, SB 172 was considered to be used as a vehicle to help increase unemployment benefits. Sponsors of an amendment tried to capture funds gained through penalty fees to boost unemployment compensation. The amendment was defeated, not because legislators did not want to increase unemployment compensation, but because the mechanical structure of the bill itself did not permit such an amendment to be implemented. A separate bill would be needed to increase unemployment compensation.

## **Health Care for School Employees**

Legislation is being discussed in the senate that would create a state-wide health care pool for public school employees. Currently, schools are spending a tremendous amount of their state-allocated funding on administrative costs, particularly in their negotiations regarding health care. Two bills have been introduced, Senate Bills 55 and 56, which are aimed at alleviating these costs for Michigan schools. In addition to the legislation, a bipartisan legislative committee has launched a study to identify how much money schools districts can save if those healthcare costs were pooled. If the study validates that a state-wide health care pool for public school personnel will cut school costs, then SB 55 and 56 will be implemented to provide that authority.

Concerns have been raised by teacher sponsored groups claiming the legislature is attacking their health benefit system. This is not true. It is the goal of Michigan's elected leaders is to provide a world class education to Michigan's children while at the same time ensuring teachers and administrators receive superior health insurance. With the administrative costs increasing annually, schools must have the tools necessary to stay afloat.